

City of Hamtramck, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Hamtramck, Michigan

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Hamtramck, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hamtramck, Michigan as of June 30, 2008 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the City of Hamtramck, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 10, the City has a net pension obligation resulting from pension contributions in the 1980s and 1990s that were less than the actuarially required amounts. This liability has not been valued and recorded in the financial statements. The valuation for net pension obligation has not been determined.

In our opinion, the financial statements referred to above, except for the effects of adjustments, if any, that might have been determined had the City been able to determine the net pension obligation, present fairly in all the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hamtramck, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in United States of America.

Independent Auditors' Report
City of Hamtramck, Michigan

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we will also be issuing a report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 15, an adjustment was made to the beginning net assets of the Water and Sewer Fund. The impact of this change is summarized in Note 15.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hamtramck, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except as described in paragraph 3 above, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 16, the City has implemented a new financial reporting model, as required by the provisions of GASB 34 Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of July 1, 2007.

Handwritten signature of Alan C. Young, Assoc.

November 19, 2008

City of Hamtramck, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Hamtramck, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Overview of the Financial Statements

The City of Hamtramck, Michigan's 2008 annual financial report follows a different format than in previous years. This annual report has been changed to comply with the reporting requirements of the Government Accounting Standards Board Statement No. 34. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- Government activities - Most of the City's basic services are included here such as the police, fire, public works and parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- Business-type activities - The City charges fees to customers to cover costs of providing water and sewer services.
- Component units - The City includes two other entities in its report, the Downtown Development Authority and the 31st District Court. Although legally separate, these "component units" are important because the City exercises control over them.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.
- Fiduciary funds - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- Total fiscal year 2007-2008 General Fund revenues were approximately \$1,437,000 less than fiscal year 2006-2007 revenues. The decrease was due primarily to the delay in the payment from the City of Detroit under the CIPP agreement for the GM plant. Income tax collections for the current year were also down by approximately \$200,000. Property taxes continue to be our largest and most secure source of revenue.
- State-shared revenue, our second largest revenue source, has been on a downward slope since 2004. State-shared revenue is down by approximately \$420,000 from 2004. The City reacted by limiting discretionary spending amounts where possible and delaying the filling of open personnel positions. State-shared revenue accounts for approximately 23 percent of the City's total General Fund revenue.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

- Property taxes are the City's single largest source of revenue, accounting for approximately 49 percent of the General Fund's revenue. The City's taxable value for 2007 was \$247,332,589, which represents an increase of approximately 10 percent from 2006. The City's operating 17.0403 millage rate was, however, rolled back as required by the Headlee Amendment and Proposal A. Through Proposal A, growth on existing taxable value is limited to the Consumer Price Index or 5 percent, whichever is less.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2008 (in thousands of dollars):

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 16,624	\$ 2,256	\$ 18,880
Noncurrent assets	<u>7,767</u>	<u>3,400</u>	<u>11,167</u>
Total assets	24,391	5,656	30,047
Liabilities			
Current liabilities	3,657	1,383	5,040
Long-term liabilities	<u>5,440</u>	<u>23</u>	<u>5,463</u>
Total liabilities	<u>9,097</u>	<u>1,406</u>	<u>10,503</u>
Net Assets			
Invested in capital assets - Net of related debt	5,988	3,176	9,164
Restricted	4,250	-	4,250
Unrestricted (deficit)	<u>5,056</u>	<u>1,074</u>	<u>6,130</u>
Total net assets	<u><u>\$ 15,294</u></u>	<u><u>\$ 4,250</u></u>	<u><u>\$ 19,544</u></u>

The City has combined net assets of approximately \$19.5 million at June 30, 2008. Governmental activities represent \$15.3 million of the total, which is approximately 78 percent of the total net assets. Business-type activities comprise approximately \$4.2 million of total net assets.

Of the total combined net assets, approximately \$9.8 million is invested in capital assets, net of related debt, while \$5.5 million is restricted for various purposes and cannot be used for general operations.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets for the year ended June 30, 2008 (in thousands of dollars):

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 2,130	\$ 4,833	\$ 6,963
Operating grants and contributions	2,553	-	2,553
Capital grants and contributions	310	-	310
General revenue:			
Property taxes	14,009	-	14,009
Income taxes	2,220	-	2,220
State-shared revenue	3,743	-	3,743
Unrestricted investment earnings	128	8	136
Franchise fees	65	-	65
Transfers	(509)	509	-
Total revenue	24,649	5,350	29,999
Program Expenses			
General government	3,122	-	3,122
Public safety	13,110	-	13,110
Public works	3,421	-	3,421
Community and economic development	265	-	265
Recreation and culture	429	-	429
Interest on long-term debt	198	-	198
Water and sewer	-	5,364	5,364
Total program expenses	20,545	5,364	25,909
Change in Net Assets	\$ 4,104	\$ (14)	\$ 4,090

Total net assets increased approximately \$4.1 million. However, when looking at the activities separately, you can see that business-type net assets decreased by \$14,000, while governmental activities increased \$4.1 million.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenue totaled approximately \$25 million with the largest revenues provided by property taxes, which represents 56 percent of the total. Public safety is the most significant expenditure program, making up approximately 64 percent of governmental activities. Public safety activities include not only police and fire services, but code enforcement as well. While public safety activities brought in approximately \$2.3 million of revenue from charges from services and various grants, the function relied on general revenues of the City to support the majority of its operations.

Business-type Activities

The City's business-type activities consist solely of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The business-type activities continue to experience operating losses. The Water and Sewer Fund incurred an operating loss of approximately \$510,000 in 2008 as compared to operating losses of \$357,000 in 2007. The deficit in the Water and Sewer Fund has resulted mainly from the increased charges for water and sewer usage from the City of Detroit. The City of Hamtramck, Michigan had not passed along or increased the water and sewer rates to its customers in the past four years. The rate freeze coupled with increased maintenance cost of the aged infrastructure had contributed to the deficit incurred by the Enterprise Fund. At the end of the fiscal year, City Council, by ordinance, increased the water and sewer usage rates as follows: residential water usage was increased by 2.2 percent and residential sewer rate by 14.2 percent. Commercial water rates were increased by 28 percent. These measures are expected to help in erasing the deficit in the short term, and in the long term, help build a reserve fund to finance future capital projects.

The General Fund made an operating transfer of approximately \$509,000 to the Water and Sewer Fund during the year ended June 30, 2008. Due to this and other nonoperating revenues and expenses, the total decrease in net assets was limited to approximately \$14,000. Water and Sewer Fund revenues consist primarily of fees paid by customers based on usage. These user fees account for approximately 94 percent of all business-type revenues.

Business-type activities expenditures totaled approximately \$5.36 million for fiscal year 2007-2008. The cost paid to the City of Detroit to purchase water and sewer treatment was approximately \$3.62 million.

The City's Funds

Our analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's major funds for 2008 include the General Fund, Budget Stabilization Fund (a Special Revenue Fund), and the Water and Sewer Fund (a proprietary fund).

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$10.3 million in 2008, compared to \$9.7 million in 2007, and represents approximately 58 percent of the total General Fund expenditures.

The General Fund also contributed approximately \$2.5 million toward health care for active employees and retirees, which represented an increase of approximately \$49,000 over 2007. Health care represents approximately 14 percent of the General Fund expenditures. Another significant expense of the General Fund is contributions toward employee pensions. The pension expense increased approximately \$316,000, or 10.6 percent, over the prior year.

Capital Assets and Debt Administration

The City's investment in capital assets continued to be conservative in response to the reduction in revenue and increased healthcare and other costs, making purchases only when necessary. The City was able to begin reconstruction of Danforth Street and the Dequindre and Nagel intersection. Total costs were approximately \$308,000. In addition, the Water and Sewer Fund performed reconstruction of water mains at Alice Street and Grand Haven/Dyar and purchased land. Total capital projects for the Water and Sewer Fund were approximately \$550,000. The City did not issue any new debt in the current year.

Economic Factors and Next Year's Budgets and Rates

The future remains challenging for the City of Hamtramck, Michigan. The City's budget for next year will show the effects of cost cutting needed to maintain a positive fund balance in the General Fund. Looking ahead, the increased cost of the MERS contribution to fund our pension obligation is going to be a major challenge. Although our overall funding in 2007 increased to 68 percent, up 1 percent from the previous year, this does not take into consideration the subsequent settlement with pre-1990 retirees (Khulhavi case) and the increased contribution for the fire department to 36 percent of payroll from 29 percent currently. Major upcoming realignments in the auto industry coupled with a recessionary period of economic activity could pose a serious threat to the financial well being of the City of Hamtramck, Michigan.

The City, in the upcoming year, will recognize the cost of retiree health care and other nonpension postretirement benefits over the working life of the employee, rather than at the time the healthcare premiums are paid. A new Governmental Accounting Standards Board requirement (GASB No. 45) will require the City to calculate and report an actuarial determined annual liability for providing postretirement benefits other than pension in the future. A strategy will need to be developed to properly recognize and fund the financial burden of commitments made to current and future retirees.

City of Hamtramck, Michigan

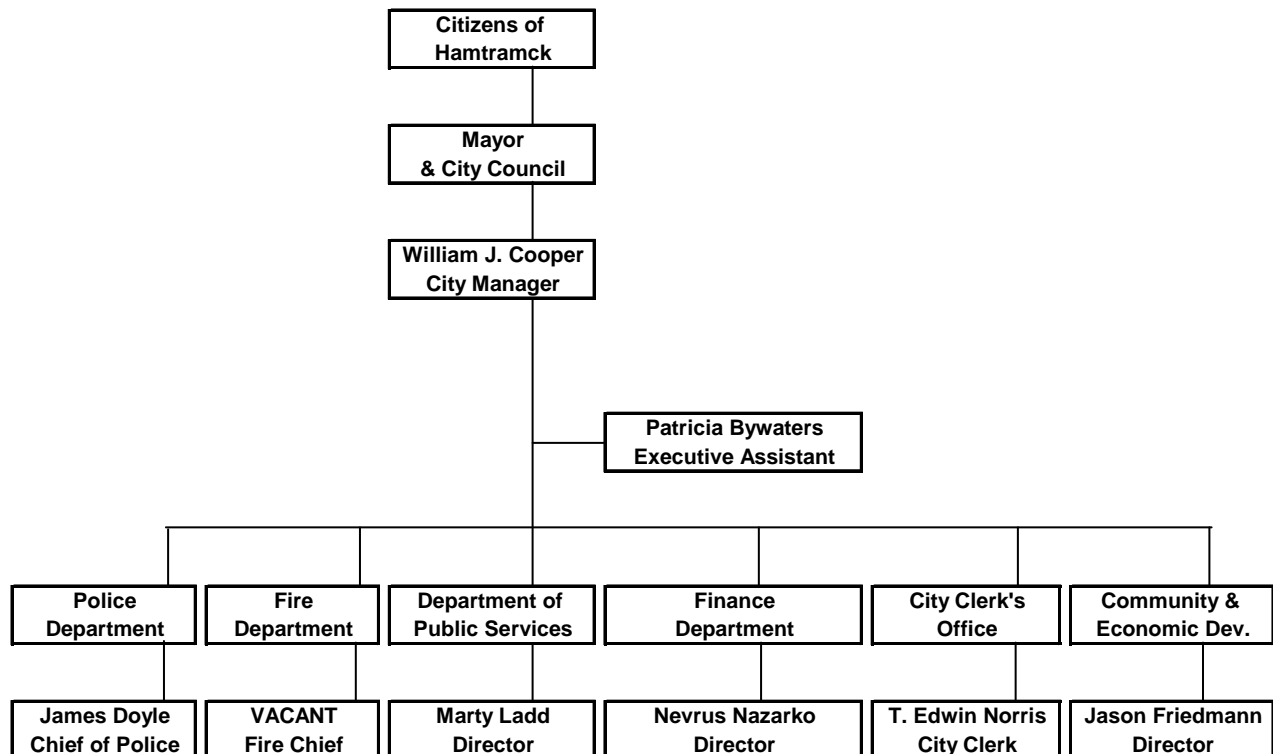
Management's Discussion and Analysis (Continued)

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the city manager's office at (313) 876-7700 ext. 349, at 3401 Evaline, Hamtramck, MI 48212.

City of Hamtramck, Michigan

City of Hamtramck Organization Chart



City of Hamtramck, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 7,134,176	\$ 186,330	\$ 7,320,506	\$ 201,842
Receivables - Net (Note 4)	240,326	2,068,641	2,308,967	-
Due from component units (Note 6)	83,113	-	83,113	-
Due from other governmental units	9,144,328	-	9,144,328	-
Prepaid costs and other assets	21,750	-	21,750	-
Nondepreciable capital assets - Net (Note 5)	1,116,495	549,702	1,666,197	-
Depreciable capital assets - Net (Note 5)	6,651,408	2,850,342	9,501,750	-
Total assets	24,391,596	5,655,015	30,046,611	201,842
Liabilities				
Accounts payable	1,040,704	1,147,678	2,188,382	723
Accrued and other liabilities	666,120	10,671	676,791	47,694
Due to primary government	-	-	-	83,113
Due to other governmental units	-	-	-	52,622
Deferred revenue (Note 4)	34,689	-	34,689	-
Noncurrent liabilities:				
Debt obligations due within one year (Note 7)	1,915,400	224,549	2,139,949	-
Compensated absences - Net of current portion (Note 7)	674,406	22,609	697,015	-
Debt obligations due in more than one year (Note 7)	4,765,445	-	4,765,445	-
Total liabilities	9,096,764	1,405,507	10,502,271	184,152
Net Assets				
Invested in capital assets - Net of related debt	5,987,903	3,175,495	9,163,398	-
Restricted:				
Streets and highways	1,953,572	-	1,953,572	-
Drug law enforcement	1,215,313	-	1,215,313	-
Grants	13,618	-	13,618	-
Library	485,247	-	485,247	-
911 emergency	169,200	-	169,200	-
Property revitalization	413,502	-	413,502	-
Unrestricted	5,056,477	1,074,013	6,130,490	17,690
Total net assets	\$ 15,294,832	\$ 4,249,508	\$ 19,544,340	\$ 17,690

City of Hamtramck, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 3,122,170	\$ 576,615	\$ 481,182	\$ -
Public safety	13,109,661	1,552,995	678,977	42,200
Public works	3,420,908	-	1,182,791	268,280
Community and economic development	266,135	-	154,455	-
Recreation and culture	428,714	-	55,907	-
Interest on long-term debt	198,480	-	-	-
Total governmental activities	20,546,068	2,129,610	2,553,312	310,480
Business-type activities - Water and sewer	5,364,424	4,834,047	-	-
Total primary government	<u>\$ 25,910,492</u>	<u>\$ 6,963,657</u>	<u>\$ 2,553,312</u>	<u>\$ 310,480</u>
Component units:				
Downtown Development Authority	\$ 87,289	\$ -	\$ -	\$ 4,510
31st District Court	4,780	4,115	-	-
Total component units	<u>\$ 92,069</u>	<u>\$ 4,115</u>	<u>\$ -</u>	<u>\$ 4,510</u>
General revenues:				
Property taxes				
Income taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Total general revenues				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year, as restated (Note 15)				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,064,373)	\$ -	\$ (2,064,373)	\$ -
(10,835,489)	-	(10,835,489)	-
(1,969,837)	-	(1,969,837)	-
(111,680)	-	(111,680)	-
(372,807)	-	(372,807)	-
(198,480)	-	(198,480)	-
(15,552,666)	-	(15,552,666)	-
-	(530,377)	(530,377)	-
(15,552,666)	(530,377)	(16,083,043)	-
-	-	-	(82,779)
-	-	-	(665)
-	-	-	(83,444)
14,009,173	-	14,009,173	76,964
2,220,177	-	2,220,177	-
3,742,727	-	3,742,727	-
127,688	7,882	135,570	-
65,175	-	65,175	-
20,164,940	7,882	20,172,822	76,964
(508,709)	508,709	-	-
4,103,565	(13,786)	4,089,779	(6,480)
11,191,267	4,263,294	15,454,561	24,170
\$ 15,294,832	\$ 4,249,508	\$ 19,544,340	\$ 17,690

City of Hamtramck, Michigan

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Major Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Budget Stabilization Fund		
Assets				
Cash and investments	\$ 942,592	\$ 1,689,470	\$ 4,502,114	\$ 7,134,176
Receivables - Net (Note 4):				
Taxes	207,980	-	-	207,980
Other	31,693	-	653	32,346
Due from other funds (Note 6)	8,246	310,530	-	318,776
Due from component units	80,187	-	2,926	83,113
Due from other governmental units	8,917,109	-	227,219	9,144,328
Prepaid costs and other assets	21,750	-	-	21,750
Total assets	<u>\$ 10,209,557</u>	<u>\$ 2,000,000</u>	<u>\$ 4,732,912</u>	<u>\$ 16,942,469</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 748,944	\$ -	\$ 291,760	\$ 1,040,704
Accrued and other liabilities	610,481	-	13,972	624,453
Due to other funds (Note 6)	310,530	-	8,246	318,776
Deferred revenue (Note 4)	7,672,209	-	76,889	7,749,098
Total liabilities	9,342,164	-	390,867	9,733,031
Fund Balances				
Reserved for prepaid costs and other assets	21,750	-	-	21,750
Unreserved, reported in:				
General Fund	845,643	-	-	845,643
Special Revenue Funds	-	2,000,000	4,342,045	6,342,045
Total fund balances	867,393	2,000,000	4,342,045	7,209,438
Total liabilities and fund balances	<u>\$ 10,209,557</u>	<u>\$ 2,000,000</u>	<u>\$ 4,732,912</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				7,767,903
Other receivables are expected to be collected over several years and are not available to pay for current year expenditures (net of allowances)				7,714,409
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:				
Compensated absences				(1,624,406)
Long-term debt and accrued interest				(5,772,512)
Net assets of governmental activities				<u>\$ 15,294,832</u>

City of Hamtramck, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

		Major Special Revenue Fund		
		Budget Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund			
Revenue				
Property taxes	\$ 8,491,412	\$ -	\$ 1,123,000	\$ 9,614,412
Income taxes	2,220,177	-	-	2,220,177
Licenses and permits	308,332	-	-	308,332
Federal sources	-	-	789,433	789,433
State sources	3,918,539	-	1,372,778	5,291,317
Charges for services	298,147	-	120,772	418,919
Parking meters and permits	135,041	-	-	135,041
Fines and forfeitures	871,663	-	34,208	905,871
Interest	66,851	-	60,837	127,688
Other	674,874	-	2,387	677,261
Total revenue	16,985,036	-	3,503,415	20,488,451
Expenditures				
General government	4,770,649	-	-	4,770,649
Public safety	10,292,885	-	1,315,726	11,608,611
Public works	1,520,713	-	1,943,595	3,464,308
Code enforcement	365,736	-	45,063	410,799
Recreation and culture	-	-	430,226	430,226
Community and economic development	124,154	-	73,026	197,180
Debt service	600,999	-	268,280	869,279
Total expenditures	17,675,136	-	4,075,916	21,751,052
Excess of Expenditures Over Revenue	(690,100)	-	(572,501)	(1,262,601)
Other Financing Sources (Uses)				
Transfers in (Note 6)	1,650,000	-	234,731	1,884,731
Transfers out (Note 6)	(523,440)	(1,650,000)	(220,000)	(2,393,440)
Total other financing sources (uses)	1,126,560	(1,650,000)	14,731	(508,709)
Net Change in Fund Balances	436,460	(1,650,000)	(557,770)	(1,771,310)
Fund Balances - Beginning of year	430,933	3,650,000	4,899,815	8,980,748
Fund Balances - End of year	<u>\$ 867,393</u>	<u>\$ 2,000,000</u>	<u>\$ 4,342,045</u>	<u>\$ 7,209,438</u>

City of Hamtramck, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ (1,771,310)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	807,444
Depreciation expense is not reported in the governmental funds	(397,519)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	4,436,961
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	666,400
Compensated absences are included as a liability in governmental activities	210,128
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the funds	147,062
Accrued interest is not reported in the funds	<u>4,399</u>

Change in Net Assets of Governmental Activities **\$ 4,103,565**

City of Hamtramck, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise - Water and Sewer Fund
Assets	
Current assets:	
Cash and investments	\$ 186,330
Receivables:	
Taxes	368,869
Customer	<u>1,699,772</u>
Total current assets	2,254,971
Noncurrent assets - Capital assets (Note 5)	<u>3,400,044</u>
Total assets	5,655,015
Liabilities	
Current liabilities:	
Accounts payable	1,147,678
Accrued and other liabilities	10,671
Current portion of long-term debt (Note 7)	<u>224,549</u>
Total current liabilities	1,382,898
Noncurrent liabilities - Compensated absences (Note 7)	<u>22,609</u>
Total liabilities	<u>1,405,507</u>
Net Assets	
Investment in capital assets - Net of related debt	3,175,495
Unrestricted	<u>1,074,013</u>
Total net assets	<u><u>\$ 4,249,508</u></u>

City of Hamtramck, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise - Water and Sewer Fund
Operating Revenue	
Charges for services	\$ 4,581,278
Interest and penalty charges	<u>252,769</u>
Total operating revenue	4,834,047
Operating Expenses	
Cost of water	519,593
Cost of sewage disposal	3,100,624
Operation and maintenance	1,327,203
Billing and administrative costs	230,470
Depreciation	<u>166,369</u>
Total operating expenses	<u>5,344,259</u>
Operating Loss	(510,212)
Nonoperating Revenue (Expense)	
Interest income	7,882
Interest expense	<u>(20,165)</u>
Total nonoperating expense	(12,283)
Transfer in	<u>508,709</u>
Change in Net Assets	(13,786)
Net Assets - Beginning of year, as restated (Note 15)	<u>4,263,294</u>
Net Assets - End of year	<u><u>\$ 4,249,508</u></u>

City of Hamtramck, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise - Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 5,265,510
Payments to suppliers	(4,525,742)
Payments to employees	<u>(279,241)</u>
Net cash provided by operating activities	460,527
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(1,041,007)
Principal and interest paid on capital debt	<u>(231,004)</u>
Net cash used in capital and related financing activities	(1,272,011)
Cash Flows from Noncapital Financing Activities	
Repay advances from other funds	(70,858)
Operating transfers from other funds	<u>508,709</u>
Net cash provided by noncapital financing activities	437,851
Cash Flows from Investing Activities - Interest received on investments	<u>7,882</u>
Net Decrease in Cash and Cash Equivalents	(365,751)
Cash and Cash Equivalents - Beginning of year	<u>552,081</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 186,330</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (510,212)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	166,369
Changes in assets and liabilities:	
Receivables	431,463
Accounts payable	352,397
Accrued and other liabilities	<u>20,510</u>
Net cash provided by operating activities	<u><u>\$ 460,527</u></u>

City of Hamtramck, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Private Purpose Trust	Agency Funds		
	Development Agreement Escrow	Tax Collection	General	Total Fiduciary Funds
Assets - Cash and cash equivalents	\$ 3,093,210	\$ 228,455	\$ 119,259	\$ 3,440,924
Liabilities				
Accounts payable	54,987	-	-	54,987
Other accrued liabilities	-	-	119,259	119,259
Due to other governmental units	-	228,455	-	228,455
Total liabilities	54,987	228,455	119,259	402,701
Net Assets - Reserved for development agreement escrow	<u>\$ 3,038,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,038,223</u>

City of Hamtramck, Michigan

Fiduciary Funds **Statement of Revenues, Expenses, and Changes in Net Assets** **June 30, 2008**

	Private Purpose Trust Development Agreement Escrow Fund
Revenue	
Property taxes	\$ 256,647
Income taxes	27,222
Interest	<u>122,398</u>
Total revenue	406,267
Expenses - Community and economic development	<u>1,012,541</u>
Net Change in Net Assets	(606,274)
Net Assets - Beginning of year	<u>3,644,497</u>
Net Assets - End of year	<u><u>\$ 3,038,223</u></u>

City of Hamtramck, Michigan

Component Units Combining Statement of Net Assets June 30, 2008

	Downtown Development Authority	31st District Court	Total
Assets - Cash and investments	\$ 6,040	\$ 195,802	\$ 201,842
Liabilities			
Accounts payable	723	-	723
Accrued and other liabilities	1,871	45,823	47,694
Due to primary government	-	83,113	83,113
Due to other governmental units	-	52,622	52,622
Total liabilities	2,594	181,558	184,152
Net Assets - Unrestricted	\$ 3,446	\$ 14,244	\$ 17,690

City of Hamtramck, Michigan

Component Units Combining Statement of Activities Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Downtown Development Authority	31st District Court	Total
Downtown Development Authority - Community and economic development	\$ 87,289	\$ -	\$ 4,510	\$ (82,779)	\$ -	\$ (82,779)
31st District Court	4,780	4,115	-	-	(665)	(665)
Total component units	\$ 92,069	\$ 4,115	\$ 4,510	(82,779)	(665)	(83,444)
General Revenues -						
Property taxes				76,964	-	76,964
Change in Net Assets				(5,815)	(665)	(6,480)
Net Assets - Beginning of year				9,261	14,909	24,170
Net Assets - End of year				\$ 3,446	\$ 14,244	\$ 17,690

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Hamtramck, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Hamtramck, Michigan:

Reporting Entity

The City is governed by an elected six-member council and an elected mayor. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are separate legal entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Units

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is appointed by the mayor, subject to approval of the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not issue a separate financial report. The DDA's administrative offices are located at 3401 Evaline, Hamtramck, Michigan 48212.

The 31st District Court (the "District Court") records the collection of amounts that are subsequently returned to or paid to third parties. The fund also maintains certain fees collected on behalf of the City's General Fund to pay jury fees and certain operating expenses. The District Court is also collecting a fee to provide funds for the renovation and/or construction of a new court building. The District Court is governed by separately elected judges. However, it is included here because it is fiscally dependent on the City. Complete financial reports of the District Court can be obtained at its administrative offices at 3401 Evaline, Hamtramck, Michigan 48212.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Budget Stabilization Fund - The Budget Stabilization Fund accounts for funds set aside for future budget needs of the City.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the activities of the water distribution and sewage collection systems.

Additionally, the City reports the following fiduciary activities:

Agency Fund - The Agency Fund accounts for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

Note 1 - Summary of Significant Accounting Policies (Continued)

Development Agreement Escrow Fund - The Development Agreement Escrow Fund records money held in trust resulting from a 1981 court judgment. The judgment required the City to create a Tax Increment Finance Authority (TIFA) District (R-31). All revenues, including property taxes, income taxes, and sale and building permit proceeds, must be held in this fund and used for the replacement and rehabilitation of homes in this district. The judgment called for the creation of two corporations to supervise the development in this district.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) and the cost of infrastructure as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Taxes

Property taxes are levied on each July 1 and December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's 2007 tax is levied and collectible on July 1 and December 1, 2007, and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the City totaled \$247.3 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA). Taxes were levied as follows:

Purpose	Date Levied	Millage Rate	Revenue (Net of TIFA/DDA Captures)	
General operating	July 1	17.0403	\$	3,922,108
Rubbish	July 1	2.5558		588,231
Police and fire pension	July 1	0.5000		115,059
Library	July 1	1.8171		441,595
Pension judgment	July 1	1.7000		412,782
Pension judgment	December 1	1.2800		311,397
DDA District	December 1	1.8380		32,298

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads, sidewalks, and alleys	30 years
Streetlights	20 years
Water and sewer facilities	50 years
Buildings and improvements	15 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	5 to 12 years
Library collection	10 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at June 30, 2007	\$ (427,269)
Current year building permit revenue	144,425
Related expenses:	
Direct costs	365,736
Estimated indirect costs	<u>146,294</u>
Current year shortfall	<u>(367,605)</u>
Cumulative shortfall at June 30, 2008	<u>\$ (794,874)</u>

Fund Deficits - The City has a deficit of \$42,200 in the U.S. Justice Department Grants Fund. The City has approximately \$52,000 of deferred revenue at June 30, 2008, of which \$42,200 relates to grants receivable that did not meet the availability criterion. The grant revenue will be received during fiscal year 2009 and will eliminate the fund deficit.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated two banks for the deposit of its funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 follows the state statutory authority as listed above.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The GASB has established risk categories for deposits as follows:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name
- Category 3 - Uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name

At year end, the City had \$11,012,250 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$200,000 were FDIC insurance (Category 1), \$10,812,250 were uncollateralized (Category 2), and there were no deposits that were uninsured or uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Allegiant Government Money Market Fund	\$ 421,095	AAAm	Standard and Poor's (S&P)

Component Unit - District Court - The cash of the District Court consists only of bank deposits. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had \$211,658 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$111,658 were uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Nonmajor and Other Funds	Total
Receivables:				
Taxes	\$ 207,980	\$ 368,869	\$ -	\$ 576,849
Accounts	-	1,699,772	-	1,699,772
Special assessments	173,173	-	-	173,173
Intergovernmental	8,917,109	-	227,219	9,144,328
Interest and other	31,693	-	653	32,346
Less allowance for uncollectibles	(173,173)	-	-	(173,173)
Net receivables	<u>\$ 9,156,782</u>	<u>\$ 2,068,641</u>	<u>\$ 227,872</u>	<u>\$ 11,453,295</u>

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
CIPP interlocal agreement (Note 12)	\$ 5,672,209	\$ -	\$ 5,672,209
Wayne County payment in lieu of taxes	2,000,000	-	2,000,000
Grants receivable	42,200	-	42,200
Unspent grant proceeds	-	34,689	34,689
Total	<u>\$ 7,714,409</u>	<u>\$ 34,689</u>	<u>\$ 7,749,098</u>

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 808,656	\$ -	\$ -	\$ 808,656
Construction in progress	-	307,839	-	307,839
Total capital assets not being depreciated	808,656	307,839	-	1,116,495
Capital assets being depreciated:				
Roads, sidewalks, and alleys	5,344,735	286,867	-	5,631,602
Street lights	208,400	-	-	208,400
Buildings and improvements	4,224,699	66,536	-	4,291,235
Vehicles	2,881,800	86,075	-	2,967,875
Machinery and equipment	189,679	11,373	-	201,052
Library collection	1,001,246	48,754	-	1,050,000
Subtotal	13,850,559	499,605	-	14,350,164
Accumulated depreciation:				
Roads, sidewalks, and alleys	3,456,740	77,731	-	3,534,471
Street lights	26,050	10,420	-	36,470
Buildings and improvements	870,271	83,298	-	953,569
Vehicles	2,011,610	164,152	-	2,175,762
Machinery and equipment	101,173	31,449	-	132,622
Library collection	835,393	30,469	-	865,862
Subtotal	7,301,237	397,519	-	7,698,756
Net capital assets being depreciated	6,549,322	102,086	-	6,651,408
Net capital assets	<u>\$ 7,357,978</u>	<u>\$ 409,925</u>	<u>\$ -</u>	<u>\$ 7,767,903</u>

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Prior Period Adjustment (Note 16)	Additions	Disposals and Adjustments	Balance June 30, 2008
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ 96,790	\$ -	\$ 96,790
Construction in progress	-	-	452,912	-	452,912
Total capital assets not being depreciated	-	-	549,702	-	549,702
Capital assets being depreciated:					
Water and sewer mains	2,825,184	2,515	491,305	-	3,319,004
Machinery and equipment	2,188,229	(772,939)	-	-	1,415,290
Subtotal	5,013,413	(770,424)	491,305	-	4,734,294
Accumulated depreciation:					
Water and sewer mains	224,909	909,820	45,635	-	1,180,364
Machinery and equipment	1,147,427	(564,573)	120,734	-	703,588
Subtotal	1,372,336	345,247	166,369	-	1,883,952
Net capital assets being depreciated	3,641,077	(1,115,671)	324,936	-	2,850,342
Net capital assets	<u>\$ 3,641,077</u>	<u>\$ (1,115,671)</u>	<u>\$ 874,638</u>	<u>\$ -</u>	<u>\$ 3,400,044</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 65,325
Public safety	189,888
Public works	98,698
Recreation and culture	<u>43,608</u>

Total governmental activities \$ 397,519

Business-type activities - Water and sewer \$ 166,369

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Construction Commitments - The City had one active construction project at year end. The project included the Danforth Street road and water main project. At year end, the City's commitment with contractors was as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Danforth Street road and water main reconstruction	\$ 563,164	\$ 795,471

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Due to/from Other Funds		
<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Major Fund - General Fund	Nonmajor governmental fund	\$ 8,246
Major Fund - Budget stabilization	Major Fund - General Fund	310,530
	Total primary government	<u>\$ 318,776</u>
Due to/from Primary Government and Component Units		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Fund - General Fund	31st District Court	\$ 80,187
Nonmajor governmental fund	31st District Court	2,926
	Total component units	<u>\$ 83,113</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Interfund Transfers

Fund Transferred From	Fund Transferred To	Amount
Major Gov. Fund - General Fund	Major proprietary fund - Water and Sewer Fund	\$ 508,709 [1]
	Nonmajor Gov. Fund - Pension Judgment	14,731 [2]
	Total General Fund	523,440
Major Gov. Fund - Budget Stabilization	Major Gov. Fund - General Fund	1,650,000 [3]
Nonmajor Gov. Fund - Major Streets	Nonmajor Gov. Fund - Local Streets	220,000 [4]

[1] - Transfer of operating subsidy

[2] - Transfer made as a result of a court judgment

[3] - Transfer to bring Budget Stabilization Fund into compliance with maximum reserves allowed by state law

[4] - Transfer made under State of Michigan Public Act 51 for local street projects

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
2004 Series A refunding bonds, issued in the amount of \$2,865,000. Principal payments are due annually on May 1, with interest ranging from 2.25 percent to 3.75 percent, maturing in 2013	\$ 2,120,000	\$ -	\$ (340,000)	\$ 1,780,000	\$ 360,000
2002 Fiscal Stabilization Bonds, issued in the amount of \$2,500,000. Principal payments are due annually on November 1, with interest ranging from 4.15 percent to 5.15 percent, maturing in 2021	1,990,000	-	(105,000)	1,885,000	105,000
Brownfield Cleanup Revolving Loan, issued in the amount of \$326,715. Principal payments are due annually on March 1 beginning in 2006, with 0 percent interest, maturing in 2011	256,315	-	(62,400)	193,915	66,400
Grand Haven/Dyar Section 108 loan, at the authorized amount of \$750,000. Principal payments are due annually August 1, with interest ranging from 3.8 percent to 5.0 percent, maturing in 2013	584,000	-	(83,000)	501,000	83,000
Joseph Campau Streetscape Project Section 108 loan, at an authorized amount of \$758,000. Principal payments are due annually August 1, with interest ranging from 3.9 percent to 5.1 percent, maturing in 2014	606,000	-	(76,000)	530,000	76,000
<u>Accumulated Benefits, Insurance, and Other</u>					
Employee compensated absences	1,834,534	802,264	(1,012,392)	1,624,406	950,000
Estimated insurance claims:					
Workers' compensation	862,992	-	(147,062)	715,930	150,000
General liability	125,000	-	-	125,000	125,000
Total governmental activities	<u>\$ 8,378,841</u>	<u>\$ 802,264</u>	<u>\$ (1,825,854)</u>	<u>\$ 7,355,251</u>	<u>\$ 1,915,400</u>
Business-type Activities					
Water meter equipment and software purchased in February 2002 in the amount of \$1,348,290. Principal payments are due monthly beginning in July 2002, with interest at 5.24 percent	\$ 435,388	\$ -	\$ (210,839)	\$ 224,549	\$ 224,549
Accumulated sick, vacation, and other days	-	22,609	-	22,609	-
Total business-type activities	<u>\$ 435,388</u>	<u>\$ 22,609</u>	<u>\$ (210,839)</u>	<u>\$ 247,158</u>	<u>\$ 224,549</u>

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations (excluding amortization of bond issuance costs and discounts) are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 690,400	\$ 179,609	\$ 870,009	\$ 224,549	\$ 6,906	\$ 231,455
2010	710,400	157,742	868,142	-	-	-
2011	696,115	134,169	830,284	-	-	-
2012	625,000	109,446	734,446	-	-	-
2013	713,000	83,418	796,418	-	-	-
2014-2018	900,000	244,201	1,144,201	-	-	-
2019-2022	555,000	43,906	598,906	-	-	-
Total	<u>\$ 4,889,915</u>	<u>\$ 952,491</u>	<u>\$ 5,842,406</u>	<u>\$ 224,549</u>	<u>\$ 6,906</u>	<u>\$ 231,455</u>

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for fleet, dishonesty, boiler, and medical benefits. The City is partially self-insured for general liability claims and uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Risk Management (Continued)

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. In addition, the City estimates the general liability claims that are in excess of its aggregate limits. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	General Liability
Estimated liability - June 30, 2006	\$ 954,598	\$ 125,000
Estimated claims incurred, including changes in estimates	58,511	310,377
Claim payments	<u>(150,117)</u>	<u>(310,377)</u>
Estimated liability - June 30, 2007	862,992	125,000
Estimated claims incurred, including changes in estimates	38,111	257,989
Claim payments	<u>(185,173)</u>	<u>(257,989)</u>
Estimated liability - June 30, 2008	<u>\$ 715,930</u>	<u>\$ 125,000</u>

Note 9 - Postemployment Benefits

The City provides healthcare and dental insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Life insurance is provided to employees from AFSCME Local 666 upon retirement. Currently, 149 retirees are eligible for dental and healthcare benefits and 68 retirees are eligible for life insurance. The City allowed certain police retirees, those who retired between July 1, 1986 and June 30, 1989, to pay for their own healthcare benefits after age 65. There are currently seven police retirees that purchase their healthcare benefits through a deduction from their pension checks. In addition, the City allowed police and firefighters the option to continue to pay for their own life insurance. There are currently 50 retired police/firefighters that purchase life insurance through a deduction from their pension checks. Expenditures for the postemployment benefits are recognized as the insurance premiums become due; during the year, this amounted to \$1,423,518, net of reimbursements.

Note 9 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will require the City to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement will also require additional footnote disclosures on actuarial values of the postemployment benefits. The new pronouncement is effective for the year ending June 30, 2009.

Note 10 - Defined Benefit Pension

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent.

Annual Pension Cost - For the year ended June 30, 2008, the City's annual pension cost of \$2,990,991 for the plan was equal to the City's required and actual contribution.

Note 10 - Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	2008	2007	2006
Annual pension costs (APC)	\$ 2,990,991	\$ 2,982,680	\$ 3,436,010
Percentage of APC contributed	100%	100%	100%
Net pension obligation	Unknown	Unknown	Unknown
Actuarial Valuation as of December 31			
	2007	2006	2005
Actuarial value of assets	\$ 61,349,691	\$ 59,513,274	\$ 57,567,404
Actuarial accrued liability (AAL) (entry age)	89,752,345	88,826,394	86,861,291
Unfunded AAL (UAAL)	28,402,654	29,313,120	29,293,887
Funded ratio	68%	67%	66%
Covered payroll	\$ 6,955,451	\$ 7,063,402	\$ 6,259,378
UAAL as a percentage of covered payroll	408%	415%	468%

Actuarial Methods and Assumptions - In the December 31, 2007 actuarial valuation (the most recent actuarial valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.50 percent per year attributable to inflation, and (c) additional salary increase of 0 percent to 8.4 percent per year attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 28 years.

Policemen and Firemen Plan - Prior to 1994, the City operated a self-administered pension system for its police and fire personnel. During the 1980s and early 1990s, the City did not fully fund this pension system in accordance with actuarially required contributions. In June 1994, the Wayne County Circuit Court (the "Court") ordered the City's pension plan to be transferred to the Michigan Municipal Employees' Retirement System. The Court also ordered the City to fund the total unfunded accrued liability of \$37,886,752 over a 20-year period in annual installments. The City's annual pension contribution includes a provision to fund this unfunded liability. As a result of the underpayments during the 1980s and early 1990s, the City has a net pension obligation. However, this amount has not been calculated by either the actuary or the City.

Note 11 - The Wyandotte Project (Michigan R-31)

A class action lawsuit was brought against the City by minority residents who lived in the R-31 Urban Renewal Area (Wyandotte Project) who allege discrimination in the City of Hamtramck and the U.S. Department of Housing (HUD) Urban Development Program.

The Court determined that there was merit to the complaint and the decision ordered the City to set up a Tax Increment Financing Authority (TIFA) district in the R-31 area. All revenue collected in this area, including property taxes, income tax, permits, interest, and property sales, must be placed in a separate fund and used for the construction of housing for the families displaced by the development project.

The City is currently in the process of satisfying the judgment. The Development Agreement Escrow Fund was created to accumulate the earmarked revenue. The fund had reserved fund balance of \$3,038,223 at June 30, 2008.

The City completed the infrastructure for the project, including putting in water and sewer lines and construction of streets and sidewalks, during the year ended June 30, 2005. All prior year infrastructure expenditures incurred were paid from Community Development Block Grant revenue, Section 108 loans, Brownfield Economic Initiative program loans and grants, Wayne County Brownfield Redevelopment loans, and contributions from the Major, Local, and Water and Sewer Funds. The City began actual housing construction in spring 2006. Cumulative costs for this project through June 30, 2008 total approximately \$6,765,000. The remaining fund balance will be used for actual housing construction to be completed by fiscal year 2009.

The City is uncertain if the funds collected to date and the additional commitments noted above will be sufficient to cover the entire cost of the project.

Note 12 - Central Industrial Park Project (CIPP Interlocal Agreement)

The CIPP interlocal agreement is an agreement between the City, Wayne County, and the City of Detroit regarding the distribution of property tax and income tax revenues generated from the GM Poletown property. Under the agreement, the City is guaranteed to receive 50 percent of the first \$3.4 million collected and the City of Detroit will receive the other 50 percent. Any amounts collected over \$3.4 million will be distributed to each city based on the allocation of the qualifying project costs. If excess collections are received after project costs are paid, the balance will be distributed one-third to Hamtramck and two-thirds to Detroit. Collections for the year ended June 30, 2008 totaled approximately \$2 million. Based on an estimate provided by the City of Detroit, most project costs have been completed at June 30, 2005. The City's annual collections under this agreement are estimated to be \$4,955,000 for the 2009 through 2014 fiscal years.

Note 13 - Environmental Commitment

In a prior year, the City and additional defendants entered into a consent judgment with the State of Michigan and Michigan Department of Environmental Quality (MDEQ) to clean up a piece of property. The agreement called for the property to be cleaned up and an amount to be placed in a trust for future operating and maintenance costs. The City completed the cleanup during 2003 and placed approximately \$442,000 in a trust for future operating and maintenance costs related to the property. The balance in the trust at June 30, 2008 totaled approximately \$421,000.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2008

Note 14 - Settlement Receivable

During the year ended June 30, 2005, Wayne County unilaterally changed its method for calculating the annual payment in lieu of taxes (PILOT) due to the City. Based on the calculation in the agreement signed many years ago, the City believed the payments for the 2005 and 2006 fiscal years should be approximately \$1,300,000 and \$1,400,000, respectively. Wayne County paid the City only \$500,000 during the year ended June 30, 2005 and made no payments during the year ended June 30, 2006. The City initiated a lawsuit against Wayne County during the 2005 fiscal year that was settled during the 2007 fiscal year. The agreement adjusted the annual payment due to the City each December from Wayne County to \$1,000,000 for the years 2004 through 2008. Beginning in December 2009, the payment will be adjusted annually by CPI to a maximum of \$1,500,000. In April 2007, the County paid the balance due from December 2004 of \$500,000. The remaining balance due totaling \$2,000,000 for the December 2005 and 2006 payments will be paid in December 2008 and 2009, respectively, in addition to the annual required payment. The City has recorded \$2,000,000 as a receivable in the General Fund at June 30, 2008. As required under governmental accounting standards, the City has also recorded deferred revenue of \$2,000,000 in the General Fund given the timing of the collection.

Note 15 - Prior Period Adjustment

In preparation for the adoption of Governmental Accounting Standards Board Statement Number 34 (see Note 16), the City hired an independent appraisal company to take an inventory of its fixed assets. As a result of said inventory, the beginning balance of fixed assets and net assets of the Water and Sewer Fund were adjusted as follows:

Net Assets - June 30, 2007	\$ 5,378,965
Adjustment to fixed asset balances to agree with inventory	<u>(1,115,671)</u>
Net Assets - July 1, 2007, as restated	<u>\$ 4,263,294</u>

Note 16 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. During the current year, the City has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The City has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been added.
- Government-wide financial statements, prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, sidewalks, etc.), have been provided.
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets include infrastructure assets (roads, sidewalks, etc.) not previously accounted for by the City as well as assets that would previously have been reported in the general fixed assets account group
- Capital assets at July, 1, 2007 previously reported in the general fixed asset account group have been adjusted to reflect the historical cost of the City's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations previously reported in the general long-term debt account group.

Required Supplemental Information

City of Hamtramck, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes:				
Property taxes	\$ 4,900,000	\$ 5,151,000	\$ 4,938,617	\$ (212,383)
GM revenue	4,300,000	4,300,000	2,485,845	(1,814,155)
Payments in lieu of taxes	1,109,000	1,109,000	1,066,950	(42,050)
Total property taxes	10,309,000	10,560,000	8,491,412	(2,068,588)
Income taxes	2,242,000	2,242,000	2,220,177	(21,823)
Licenses and permits	336,000	336,000	308,332	(27,668)
State sources	3,948,380	3,948,380	3,918,539	(29,841)
Charges for services	220,000	220,000	298,147	78,147
Parking meters and permits	155,000	155,000	135,041	(19,959)
Fines and forfeitures	950,000	1,100,000	871,663	(228,337)
Interest	80,000	80,000	66,851	(13,149)
Other	545,000	545,000	907,804	362,804
Operating transfers in	-	-	1,650,000	1,650,000
Total revenue	18,785,380	19,186,380	18,867,966	(318,414)
Expenditures				
General government:				
Legislative	51,692	69,692	57,643	12,049
District Court	516,523	548,523	532,299	16,224
City manager's office	213,173	221,173	215,403	5,770
Elections	18,600	44,600	42,255	2,345
Assessor	86,457	93,457	124,260	(30,803)
Legal	350,000	580,000	893,124	(313,124)
Clerk	167,347	172,347	143,676	28,671
Controller	413,259	441,759	417,372	24,387
Treasurer	182,983	190,983	185,445	5,538
Income tax	254,453	254,453	214,233	40,220
Personnel	39,405	204,405	185,636	18,769
General administration	3,272,795	3,263,347	3,116,672	146,675
Total general government	5,566,687	6,084,739	6,128,018	(43,279)
Public safety:				
Police	6,616,902	6,474,812	5,837,553	637,259
Fire	4,658,601	4,663,601	4,305,076	358,525
Auto theft grant	160,321	166,321	150,256	16,065
Total public safety	11,435,824	11,304,734	10,292,885	1,011,849

(Continued on next page)

City of Hamtramck, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (Continued)				
Public works	\$ 1,406,896	\$ 1,526,396	\$ 1,520,713	\$ 5,683
Code enforcement	197,419	419,419	365,736	53,683
Community and economic development	135,122	135,122	124,154	10,968
Total expenditures	18,741,948	19,470,410	18,431,506	1,038,904
Net Change in Fund Balances	43,432	(284,030)	436,460	720,490
Fund Balances - Beginning of year	430,933	430,933	430,933	-
Fund Balances - End of year	<u>\$ 474,365</u>	<u>\$ 146,903</u>	<u>\$ 867,393</u>	<u>\$ 720,490</u>

City of Hamtramck, Michigan

Note to Required Supplemental Information

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers out have been included in the “expenditure” category instead of “other financing uses” and reimbursements have been included in the “revenue” category, rather than as a reduction to expenditures. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City’s management and adopted by the City Council; subsequent amendments are approved by the City Council.

The City adopts its budget based on total expenditures by fund, except for the General Fund for which it adopts budgeted expenditures on an activity basis. This then represents the level of classification detail at which expenditures may not legally exceed appropriations. Expenditures at this level in excess of amounts budgeted are in violation of Michigan law. The level of detail presented in the required supplemental information for the General Fund is on this budget basis. Copies of the budget for all budgeted funds are available at the office of the city clerk.

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them to the finance director on or before February 15. During the month of February, the City manager and finance director review the appropriation requests, meet with the departments and the mayor, and put together the budget. By the first of March, the City Council adopts a budget calendar that establishes deadlines for review and adoption phases for the upcoming fiscal year. The budget is submitted to the City Council for approval on or before May 15. During the next two weeks, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by a resolution no later than the second day in June.

The budget document presents information by fund, department, and line items. The legal level of budgetary control adopted by the governing body is the activity basis level.

During the current year, the budgets were amended in a legally permissible manner. Budget appropriations lapse at year end. Encumbrances are not included as expenditures and the amount of encumbrances outstanding at June 30, 2008 have not been calculated.

City of Hamtramck, Michigan

Note to Required Supplemental Information

Note - Budgetary Information (Continued)

A reconciliation of the budgetary comparison schedule to the fund-based statement of changes in fund balance is as follows:

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 16,985,036	\$ 17,675,136
Operating transfers	1,650,000	523,440
Reimbursements from other funds	232,930	232,930
Amounts per budgetary comparison schedule	<u>\$ 18,867,966</u>	<u>\$ 18,431,506</u>

A reconciliation of expenditure classifications between the budgetary comparison schedule to the fund-based statement of changes in fund balance is as follows:

	General Government Expenditures
Amounts per operating statement	\$ 4,770,649
Operating transfers	523,440
Reimbursements from other funds	232,930
Debt service	600,999
Amounts per budgetary comparison schedule	<u>\$ 6,128,018</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Hamtramck, Michigan incurred general governmental expenditures within the General Fund that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual	Variance with Amended Budget
Assessor	\$ 93,457	\$ 124,260	\$ (30,803)
Legal	580,000	893,124	(313,124)

In the assessor's department, the amount billed by the County for assessing services was greater than budgeted. In the legal department, a year-end accrual was recorded for a lawsuit that was settled late in the year.

Other Supplemental Information

City of Hamtramck, Michigan

	Special				
	Major Streets	Local Streets	Library	U.S. Justice Department Grants	Community Development Block Grant
Assets					
Cash and investments	\$ 1,043,876	\$ 930,351	\$ 511,499	\$ 9,508	\$ 25,181
Accounts receivable	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governmental units	141,625	43,394	-	42,200	-
Total assets	<u>\$ 1,185,501</u>	<u>\$ 973,745</u>	<u>\$ 511,499</u>	<u>\$ 51,708</u>	<u>\$ 25,181</u>
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 182,373	\$ 23,301	\$ 13,494	\$ 42,200	\$ -
Accrued and other liabilities	-	-	12,758	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	51,708	25,181
Total liabilities	182,373	23,301	26,252	93,908	25,181
Fund Balances (Deficit) - Unreserved	<u>1,003,128</u>	<u>950,444</u>	<u>485,247</u>	<u>(42,200)</u>	<u>-</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,185,501</u>	<u>\$ 973,745</u>	<u>\$ 511,499</u>	<u>\$ 51,708</u>	<u>\$ 25,181</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
911 Emergency	Drug Law Enforcement	Miscellaneous State Grants	Building and Improvement	Property Revitalization	Pension Judgment	
\$ 185,768	\$ 1,230,226	\$ 13,743	\$ 130,867	\$ 421,095	\$ -	\$ 4,502,114
-	-	-	-	653	-	653
-	-	-	2,926	-	-	2,926
-	-	-	-	-	-	227,219
<u>\$ 185,768</u>	<u>\$ 1,230,226</u>	<u>\$ 13,743</u>	<u>\$ 133,793</u>	<u>\$ 421,748</u>	<u>\$ -</u>	<u>\$ 4,732,912</u>
\$ 16,568	\$ 13,699	\$ 125	\$ -	\$ -	\$ -	\$ 291,760
-	1,214	-	-	-	-	13,972
-	-	-	-	8,246	-	8,246
-	-	-	-	-	-	76,889
16,568	14,913	125	-	8,246	-	390,867
<u>169,200</u>	<u>1,215,313</u>	<u>13,618</u>	<u>133,793</u>	<u>413,502</u>	<u>-</u>	<u>4,342,045</u>
<u>\$ 185,768</u>	<u>\$ 1,230,226</u>	<u>\$ 13,743</u>	<u>\$ 133,793</u>	<u>\$ 421,748</u>	<u>\$ -</u>	<u>\$ 4,732,912</u>

City of Hamtramck, Michigan

	Special				
	Major Streets	Local Streets	Library	U.S. Justice Department Grants	Community Development Block Grant
Revenue					
Property taxes	\$ -	\$ -	\$ 429,672	\$ -	\$ -
Federal sources	-	-	-	36,366	386,369
State sources	917,971	264,820	53,520	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest income	17,473	11,187	-	-	-
Other	-	-	2,387	-	-
Total revenue	935,444	276,007	485,579	36,366	386,369
Expenditures					
Public safety	-	-	-	78,566	-
Public works	1,316,492	621,703	-	-	-
Code enforcement	-	-	-	-	45,063
Recreation and cultural	-	-	430,226	-	-
Community and economic development	-	-	-	-	73,026
Debt service	-	-	-	-	268,280
Total expenditures	1,316,492	621,703	430,226	78,566	386,369
Excess of Revenue Over (Under)					
Expenditures	(381,048)	(345,696)	55,353	(42,200)	-
Other Financing Sources (Uses)					
Transfers in	-	220,000	-	-	-
Transfers out	(220,000)	-	-	-	-
Total other financing sources (uses)	(220,000)	220,000	-	-	-
Net Change in Fund Balances	(601,048)	(125,696)	55,353	(42,200)	-
Fund Balances - Beginning of year	1,604,176	1,076,140	429,894	-	-
Fund Balances (Deficit) - End of year	\$ 1,003,128	\$ 950,444	\$ 485,247	\$ (42,200)	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended June 30, 2008

Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
911 Emergency	Drug Law Enforcement	Miscellaneous State Grants	Building and Improvement	Property Revitalization	Pension Judgment	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 693,328	\$ 1,123,000
25,990	340,708	-	-	-	-	789,433
-	136,467	-	-	-	-	1,372,778
120,772	-	-	-	-	-	120,772
-	-	-	34,208	-	-	34,208
2,185	14,200	190	-	15,602	-	60,837
-	-	-	-	-	-	2,387
148,947	491,375	190	34,208	15,602	693,328	3,503,415
162,288	262,440	2,891	-	-	809,541	1,315,726
-	-	-	2,900	2,500	-	1,943,595
-	-	-	-	-	-	45,063
-	-	-	-	-	-	430,226
-	-	-	-	-	-	73,026
-	-	-	-	-	-	268,280
162,288	262,440	2,891	2,900	2,500	809,541	4,075,916
(13,341)	228,935	(2,701)	31,308	13,102	(116,213)	(572,501)
-	-	-	-	-	14,731	234,731
-	-	-	-	-	-	(220,000)
-	-	-	-	-	14,731	14,731
(13,341)	228,935	(2,701)	31,308	13,102	(101,482)	(557,770)
182,541	986,378	16,319	102,485	400,400	101,482	4,899,815
\$ 169,200	\$ 1,215,313	\$ 13,618	\$ 133,793	\$ 413,502	\$ -	\$ 4,342,045